A string of coordinated suicide bombings and shootings left eight dead whilst injuring 30 others in Jakarta’s commercial district.

Five militants, which were affiliated with the Islamic State, made up more than half of the body count; the first was killed when he detonated a bomb at a Starbucks cafe, with two more exploded devices at a small police traffic post, the final two died after a prolonged gun battle with police forces.

The militants were said to belong to an Islamic State linked group in Solo, a city on Indonesia’s main island of Java; they had been in contact with terrorists in Syria, which was further evidenced by the fact that the Islamic State said it carried out the attacks in an Arabic language statement distributed on social media shortly following the attacks.

Since the attacks, Twelve suspected terrorists have been arrested in Central Java, West Java and East Kalimantan; the twelve were arrested after having received funding from Bahrun Naim, who is fighting for the Islamic State in Syria.
According to research from Standard Chartered Bank, economic growth for ASEAN economies in 2016 will not perform as well as the trends set between 2011 and 2014 due to external risks.

- On average, ASEAN economies collectively grew by 5.2% between 2011 and 2014, which slowed down to 4.6% in 2015 due to a variety of factors; falling commodity prices, a global demand slowdown, currency volatility, and the restructuring of macro prudential policies in the region were all cited as reasons for reduced growth.
- Whilst current projections place the growth rate at 5.1% in 2016, analysis from Standard Chartered Bank states that a continuation of problems from last year will continue to depress growth; research also found that the drivers for growth in 2016 will largely be domestic demand and government initiatives.
- Thailand is expected to recover from its poor performance in 2015, with Indonesia seeing slight improvements; meanwhile, growth in Malaysia is expected to ease, with flat growth in the Philippines.
- Vietnam is expected to outperform the region, with Singapore also seeing marginal increases in growth.

According to Peter Kohli, the CEO of DMS Funds, the unstable political environment and underperforming Malaysian economy couple to create a destination not suited for investment.

- According to Kohli, whilst Malaysia has taken steps to transition from a commodities based economy to a services centric one, it has not been enough to compensate for sliding global commodity prices; currently, 54% of Malaysia’s GDP is generated by the services industry, whilst 25% of the GDP is sourced from manufacturing which also accounts for 60% of exports.
- A figure used to highlight Malaysia’s underperforming economy was the Purchasing Managers Index (PMI), an indicator of economic health in the manufacturing sector, Malaysia’s PMI was 47.7 in the last quarter of 2015; this reflects a contraction in the mining sector as well as revenues from the oil trade which are detrimental to Malaysia’s economy.
- Another reason cited by Kohli as to why Malaysia is not a competitive enough investment destination relative to the region’s other economies would be Malaysia’s political environment; a key driver of investor confidence, Malaysia’s political scene has been tarnished by claims that Prime Minister Najib Razak transferred 2.6 billion Ringgit to his personal account.

Vietnam’s ruling Communist Party is scheduled to convene its 12th national congress between 20 and 28 January in order to decide the future leadership of Vietnam.

- Under Vietnam’s political system, delegates of the national congress elect the central committee, which in turn decides the party’s general secretary and politburo members; this means that both the country’s supreme leader and collective leadership are to be determined during the upcoming national congress.
- State media have reported that the Central Committee of the Communist Party has reached “an overwhelming consensus” on the country’s new leadership; unconfirmed reports indicated that the long time favourite to succeed as party boss, the two-term prime minister Nguyen Tan Dung, had been sidelined after a bruising political confrontation.
- However, it should be noted that according to Thayer Consultancy, a coalition has emerged around the general secretary and state president to block Nguyen Tan Dung due to concerns surrounding his leadership; in recent times, opponents have criticised prime minister Dung’s management of the economy, as well as allegations relating to corruption.
THAILAND SEEKS CLOSER INTEL SHARING

Following recent terrorists attacks in Jakarta, Thailand has called for greater cooperation in intelligence sharing amongst ASEAN countries.

> With new information surfacing, including the fact that the militants may have sourced guns from the Filipino illegal arms trade, Deputy Prime Minister Prawit Wongsuwan has called for more integrated information sharing in order to foil the entrance of Islamic State terrorism in ASEAN.

> National Security Council secretary general Prateep Naetniyom said the Jakarta attack was unexpected as there usually were warnings from allies about possible impending attacks; the incident showed that IS has increased its cells and presence in some Asean countries.

> Meanwhile, Prime Minister Prayut Chan-o-cha said yesterday Thailand should avoid being “dragged into” any conflict and urged the public not to panic after the Jakarta terror attacks; according to Prime Minister Prayut, no terrorists have been found to have entered Thailand.

PRIME MINISTER HUN SEN GROWS ADVERSARIAL

Cambodia’s Prime Minister Hun Sen has begun to step up against the largest opposition Cambodia National Rescue Party (CNRP) ahead of the 2018 general elections.

> Most recently on 5 January, the Cambodian police issued an arrest warrant for CNRP President Sam Rainsy on the grounds of slander against the government; the second arrest warrant issued since last year against Rainsy, it is widely believed that the warrants were levelled at the instigation of Hun Sen.

> The antagonism was triggered as the CNRP poked its nose into the border dispute with Vietnam, a sensitive issue in Cambodia; the situation drew popular attention in Cambodia as a CNRP lawmaker and fellow activities clashed with villagers in Vietnam’s Long An Province in June 2015.

> Currently, the CNRP has accused the ruling Cambodian People’s Party of wrongful concessions in border negotiations with Vietnam; the claims carry no evidence, but have been used as a campaign tool to further the CNRP’s political agenda.

BANK INDONESIA SLASHES RATES TO 7.25%

For the first time in 11 months, Indonesia’s central bank has lowered interest rates by 25 basis points in order to address slowing economic growth and currency volatility.

> Reasons given for the rate cut were entered around China’s economic slowdown and the Federal Reserve’s rate-hiking cycle, both of which have affected Indonesia’s economy negatively; on the domestic front, Indonesia’s economy is currently growing at its slowest pace since 2009.

> The rate cut was done on the same day as Indonesia’s most recent terror attacks, thus blurring any clearcut assessment on its impact; Government bonds rose to 8.29%, whilst the Jakarta Composite Index closed 0.5% lower.

INDONESIA THREE MONTHS INTERBANK RATE

INDONESIA INTEREST RATE

Source: Trading Economics
PHILIPPINES MAINTAINS MONETARY POLICY

Despite the US Federal Reserve's ratcheting of interest rates and China's economic slowdown, the Philippines has made no move to shift central bank interest rates in the nation.

According to the Filipino Central Bank's (BSP) Deputy Governor Diwa Guinigundo, the interest rate shift in September 2014 was preemptively made to ensure that external volatilities wouldn't impact the nation's economy; the BSP has maintained a special deposit account rate at 2.5% since December 2015, with the overnight borrowing and lending rates standing at 4% and 6% respectively.

The BSP Monetary Board will revisit the issue on February 11, 2016, with a potential rate shift to preemptively address the upcoming presidential elections on May 9; the presidential elections in the Philippines are likely to pose upward pressure on inflation, which may cause the BSP to hike to interest rate.

Currently, the Peso is expected to maintain its stable movement due to the country's strong macroeconomic position; additionally, the central bank is looking to issue seven and 28 day term deposits to be auctioned off under an interest rate corridor system.

THAILAND

THAILAND'S AGING POPULATION PROBLEM

According to the World Bank, Thailand's working age population is expected to shrink by 11% by 2040 at current trends, making it the region's fastest aging population.

In the present, Thailand has been grappling with a labour shortage which it has tried to address in the short term with its 1.3 million registered migrant workers; however, activists have cited the total number of migrants in the nation to be closer to 4 million in total.

People of working age now make up about 38.7 million, or more than half of Thailand's population of 66 million, the National Statistics Office says; however, activists have cited the total number of migrant workers; however, activists have cited the total number of migrants in the nation to be closer to 4 million in total.

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